

SENATE BILL NO. 500
INTRODUCED BY B. GLASER

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING SCHOOL FUNDING; ESTABLISHING A SCHOOL FLEXIBILITY PROGRAM FOR K-12 PUBLIC SCHOOLS; REQUIRING VOTER APPROVAL FOR A LEVY TO INCREASE A DISTRICT'S FUNDS TO SUPPORT THE FLEXIBILITY PROGRAM; CREATING RESIDENT STUDENT FUNDING BONUSES FOR RESIDENT STUDENTS ENROLLED IN THE MONTANA UNIVERSITY SYSTEM; INCREASING THE BASIC ENTITLEMENTS AND THE PER-ANB ENTITLEMENTS BY 1.3 PERCENT FOR SCHOOL FISCAL YEAR 2002 AND SUCCEEDING YEARS; ADJUSTING THE TOTAL PER-ANB ENTITLEMENT CALCULATION BY DECREASING THE RATE OF 50 CENTS PER ANB BY 2 1/2 CENTS EACH FISCAL YEAR AND THE RATE OF 20 CENTS PER ANB BY 1 CENT EACH FISCAL YEAR; AMENDING SECTION 20-9-306, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND A TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Definitions.** As used in [section 2] and this section, the following definitions apply:

(1) "Average student amount" means the amount calculated by:

(a) multiplying the money available in the school flexibility account, provided for in [section 2], after the payment of the state share of the current year rate decreases under 20-9-306(10)(b) by 16%; and

(b) dividing the amount calculated in subsection (1)(a) by the total statewide ANB in the previous fiscal year when averaged with the total statewide ANB for the previous 4 fiscal years.

(2) "Current student amount" means the amount calculated by:

(a) multiplying the money available in the school flexibility account, provided for in [section 2], after the payment of the state share of the current year rate decreases under 20-9-306(10)(b) by 50%; and

(b) dividing the amount calculated in subsection (2)(a) by the total statewide ANB in the previous fiscal year.

(3) "District amount" means the amount calculated by:

(a) multiplying the money available in the school flexibility account, provided for in [section 2], after the payment of the state share of the current year rate decreases under 20-9-306(10)(b) by 17%; and

(b) dividing the amount calculated in subsection (3)(a) by the number of school districts that anticipate having students in the fiscal year in which the funding is distributed.

(4) "District K-12 public school funding amount" means the K-12 public schools amount multiplied by the number of K-12 public schools, as defined in 20-6-501, in the school district in the fiscal year in which the funding is distributed.

(5) "District student funding amount" means the current student amount multiplied by a district's ANB for the previous fiscal year plus the average student amount multiplied by a district's ANB for the previous fiscal year when averaged with the district's ANB for the 4 previous fiscal years.

(6) "K-12 public schools amount" means the amount calculated by:

(a) multiplying the money available after the payment of the state share of the current year rate decreases under 20-9-306(10)(b) by 17%; and

(b) dividing the amount calculated in subsection (6)(a) by the number of K-12 public schools, as defined in 20-6-501, that anticipate having students in the fiscal year in which the funding is distributed.

NEW SECTION. Section 2. School flexibility account -- distribution of funds. There is a school flexibility account in the state special revenue fund. The superintendent of public instruction shall use a portion of the money in the school flexibility account to pay for the state share of the cost of the current year rate decreases under 20-9-306(10)(b) and shall allocate the remainder of the money in the account to each school district. Each school district's total allocation is the sum of the district amount, the district K-12 public school funding amount, and the district student funding amount.

NEW SECTION. Section 3. School flexibility fund -- uses. (1) (a) The trustees of a district shall establish a school flexibility fund for school district expenditures incurred for:

(i) technological equipment enhancements and expansions necessary to deliver enhanced educational programs in the classroom;

(ii) facility expansion and remodeling to facilitate the delivery of educational programs or the removal and replacement of obsolete facilities;

(iii) supplies and materials necessary for the delivery of enhanced educational programs;

(iv) training for classroom staff to identify and deliver enhanced educational programs;

(v) purchase, lease, or rental of real property that must be used to provide free or reduced price housing for classroom teachers;

(vi) salaries and benefits for classroom teachers; or

(vii) increases in energy costs caused by an increase in energy rates from the rates paid by the district in fiscal year 2001. Trustees may not use revenue in the school flexibility fund to pay increased energy costs caused by an increase in energy usage.

(b) If the district's ANB calculated for the current fiscal year is less than the ANB for the current fiscal year when averaged with the 4 previous fiscal years, the district may use money from the school flexibility fund to phase in over a 5-year period the spending reductions necessary because of the reduction in ANB.

(2) The trustees of a district shall fund the school flexibility fund with the money allocated under [section 2] and with the money raised by the levy under [section 4].

(3) The financial administration of the school flexibility fund must be in accordance with the financial administration provisions of this title for a nonbudgeted fund.

NEW SECTION. Section 4. District school flexibility fund levy. (1) In addition to the money allocated in [section 2] for a district's school flexibility fund, the trustees of a school district may submit a proposition to the qualified electors of the district to approve a levy in an amount not to exceed 25% of the district's allocation in [section 2] to fund the school flexibility fund authorized under [section 3]. An election called pursuant to this section must be called and conducted in the manner prescribed by this title for school elections. The ballot for a proposition must provide "for" and "against" provisions, stating whether the district is authorized to impose a levy of (state the dollars) dollars and (state the approximate number of mills) mills to fund the school flexibility fund in the school district. The school flexibility fund proposition is approved if a majority of those electors voting at the election approve the levy.

(2) Money collected from the levy must be deposited in the district's school flexibility fund and spent in accordance with [section 3].

NEW SECTION. Section 5. Definitions. As used in [section 6] and this section, the following definitions apply:

(1) "Adjusted resident student count" means the actual resident student enrollment at a campus for the current fiscal year multiplied by the public funded cost of education percentage for the campus in the previous fiscal year.

(2) "Campus" means a campus of the Montana university system as described in 20-25-201.

(3) "Campus entitlement" means the adjusted resident student count for a campus multiplied by the per

resident student funding bonus for the campus.

(4) "Cost of education" means the total amount of money expended by a campus to educate students enrolled at the campus.

(5) "Per resident student funding bonus" means the amount of the bonus for each resident student at a campus. The bonus is determined by dividing the money available in the resident student funding bonus account, provided for in [section 6], by the total of the adjusted resident student count for all campuses.

(6) "Public funded cost of education percentage" means the percentage of the cost of education at a campus that is not paid for by students. The percentage is determined by dividing the cost of education for the campus minus the portion of the cost of education paid by resident students of the campus by the cost of education for the campus.

NEW SECTION. Section 6. Resident student funding bonus -- account -- distribution. (1) There is a resident student funding bonus account in the state special revenue fund. The board of regents shall use the money in the account for a per resident student funding bonus for every resident student enrolled at a campus. The bonuses must be distributed by the board of regents to each campus in the form of a campus entitlement.

(2) (a) The board of regents may not distribute the campus entitlements until the board has calculated the cost of education at each campus. The board of regents shall adopt policies and procedures for calculating the cost of education. Before adopting the policies and procedures, the board of regents shall:

- (i) hold public hearings at each campus;
- (ii) hold additional public hearings specifically for the resident students at each campus;
- (iii) request comments from the legislative fiscal analyst and the state budget director; and
- (iv) document the consideration and final disposition of every comment received by the board of regents.

(b) The cost of education computed for each campus must be audited as part of the biennial audit of each campus as required under 5-13-304(1).

(c) The cost of education must be recalculated each fiscal year in accordance with the board of regents' policies and procedures.

(3) The board of regents shall determine how the campus entitlement must be spent by each campus. The board of regents shall seek the advice of the resident students at each campus in making the determination on how the campus entitlement must be spent. A resident student election must be held on each campus to allow resident students to vote on possible uses of the campus entitlement. Possible uses include:

- (a) reducing the percentage of the cost of education paid by resident students; and

- (b) increasing the number of class sections available to undergraduate resident students.

Section 7. Section 20-9-306, MCA, is amended to read:

"20-9-306. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

(a) direct state aid for 44.7% of the basic entitlement and, except as provided in subsection (10)(c), 44.7% of the total per-ANB entitlement for the general fund budget of a district; and

(b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and up to 40% of the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education allowable cost payment.

(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.

(5) "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

(6) "Basic entitlement" means:

(a) ~~\$206,000~~ \$208,678 for each high school district;

(b) ~~\$18,540~~ \$18,781 for each elementary school district or K-12 district elementary program without an approved and accredited junior high school or middle school; and

(c) the prorated entitlement for each elementary school district or K-12 district elementary program with an approved and accredited junior high school or middle school, calculated as follows:

(i) ~~\$18,540~~ \$18,781 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of kindergarten through grade 8; plus

(ii) ~~\$206,000~~ \$208,678 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten

through grade 8.

(7) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county equalization aid.

(8) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153% of special education allowable cost payments.

(9) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and below the maximum general fund budget for a district.

(10) (a) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations:

~~(a)~~(i) except as provided in subsection (10)(b), for a high school district or a K-12 district high school program, a maximum rate of ~~\$5,045~~ \$5,080 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

~~(b)~~(ii) except as provided in subsection (10)(b), for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school or middle school, a maximum rate of ~~\$3,763~~ \$3,812 for the first ANB is decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

~~(c)~~(iii) except as provided in subsection (10)(b), for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school or middle school, the sum of:

~~(i)~~(A) a maximum rate of ~~\$3,763~~ \$3,812 for the first ANB for kindergarten through grade 6 is decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

~~(ii)~~(B) a maximum rate of ~~\$5,045~~ \$5,080 for the first ANB for grades 7 and 8 is decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB.

(b) Beginning on July 1, 2001:

(i) the rate of 50 cents per ANB in subsections (10)(a)(i) and (10)(a)(iii)(B) must be reduced by 2 1/2 cents each fiscal year; and

(ii) the rate of 20 cents per ANB in subsections (10)(a)(ii) and (10)(a)(iii)(A) must be reduced by 1 cent

each fiscal year.

(c) Only the year-to-year reduction in subsection (10)(b) may be included in the BASE aid."

Section 8. Section 20-9-306, MCA, is amended to read:

"20-9-306. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

(a) direct state aid for 44.7% of the basic entitlement and, except as provided in subsection (10)(c), 44.7% of the total per-ANB entitlement for the general fund budget of a district; and

(b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and up to 40% of the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education allowable cost payment.

(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.

(5) "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

(6) "Basic entitlement" means:

(a) ~~\$206,000~~ \$211,391 for each high school district;

(b) ~~\$18,540~~ \$19,025 for each elementary school district or K-12 district elementary program without an approved and accredited junior high school or middle school; and

(c) the prorated entitlement for each elementary school district or K-12 district elementary program with an approved and accredited junior high school or middle school, calculated as follows:

(i) ~~\$18,540~~ \$19,025 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of kindergarten through grade 8; plus

(ii) ~~\$206,000~~ \$211,391 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten through grade 8.

(7) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county equalization aid.

(8) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153% of special education allowable cost payments.

(9) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and below the maximum general fund budget for a district.

(10) (a) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations:

~~(a)(i)~~ (i) ~~except as provided in subsection (10)(b),~~ for a high school district or a K-12 district high school program, a maximum rate of ~~\$5,045~~ \$5,146 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

~~(b)(ii)~~ (ii) ~~except as provided in subsection (10)(b),~~ for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school or middle school, a maximum rate of ~~\$3,763~~ \$3,862 for the first ANB is decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

~~(c)(iii)~~ (iii) ~~except as provided in subsection (10)(b),~~ for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school or middle school, the sum of:

~~(i)(A)~~ (A) a maximum rate of ~~\$3,763~~ \$3,862 for the first ANB for kindergarten through grade 6 is decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

~~(ii)(B)~~ (B) a maximum rate of ~~\$5,045~~ \$5,146 for the first ANB for grades 7 and 8 is decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB.

(b) Beginning on July 1, 2001:

(i) the rate of 50 cents per ANB in subsections (10)(a)(i) and (10)(a)(iii)(B) must be reduced by 2 1/2 cents each fiscal year; and

(ii) the rate of 20 cents per ANB in subsections (10)(a)(ii) and (10)(a)(iii)(A) must be reduced by 1 cent each fiscal year.

(c) Only the year-to-year reduction in subsection (10)(b) may be included in the BASE aid."

NEW SECTION. Section 9. Codification instruction. (1) [Sections 1 through 4] are intended to be codified as an integral part of Title 20, chapter 9, part 5, and the provisions of Title 20, chapter 9, part 5, apply to [sections 1 through 4].

(2) [Sections 5 and 6] are intended to be codified as an integral part of Title 20, chapter 25, part 4, and the provisions of Title 20, chapter 25, part 4, apply to [sections 5 and 6].

NEW SECTION. Section 10. Effective dates -- applicability. (1) Except as provided in subsection (2), [this act] is effective July 1, 2001, and applies to school budgets for the school fiscal year beginning July 1, 2001.

(2) [Section 8] is effective July 1, 2002, and applies to school budgets for school fiscal years beginning on or after July 1, 2002.

NEW SECTION. Section 11. Termination. [Section 7] terminates June 30, 2002.

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